

Message Text

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PAGE 01 SANTO 04555 182231Z
ACTION ARA-14

INFO OCT-01 IO-13 ISO-00 AGRE-00 SSO-00 NSCE-00 INRE-00
ICAE-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 SS-15 STR-07 CEA-01 L-03
H-01 PA-01 ITC-01 CTME-00 /096 W
-----045988 182237Z /15

O R 182138Z AUG 78
FM AMEMBASSY SANTO DOMINGO
TO SECSTATE WASHDC IMMEDIATE 5734
INFO USMISSION GENEVA

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EO 11652 NA
TAGS: ETRD, ECON, AGR, DR
SUB: GUZMAN ADMINISTRATION FOCUSES ON ECONOMIC PROBLEMS

1. INAUGURATION ACTIVITIES, AND PARTICULARLY PRESENCE OF ARA/ECP DIRECTOR, PROVIDED OPPORTUNITY FOR DISCUSSIONS WITH SEVERAL NEW CABINET AND SUB-CABINET APPOINTEES REGARDING DR'S ECONOMIC PROBLEMS AND PRIORITIES. FOLLOWING IS A SUMMARY OF KEY POINTS.

2. SUGAR: THE CONTINUED LOW PRICE OF THIS ALL-IMPORTANT COMMODITY IS A PRIME CAUSE OF THE DR'S TRADE ACCOUNT PROBLMES, AND IS ALSO IMPACTING ON GOVERNMENT REVENUE. FORMER CENTRAL BANK GOVERNOR PERICHE (WHO WILL HEAD THE BANCO DE RESERVAS IN THE NEW GOVERNMENT) AGAIN ASKED THE U.S. TO FIND A WAY TO RETURN THE DR THE DUTIES AND FEES COLLECTED ON DOMINICAN SUGAR, WHICH HE ESTIMATED AT SOME \$80 MILLION.

3. DEBT: THE NEW ADMINISTRATION IS KEENLY AWARE OF THE IMPORTANCE OF PAYING ITS GOVERNMENT-TO-GOVERNMENT ARREARAGES. THERE WAS SOME CONFUSION AS TO WHETHER BALAGUER HAD AUTHORIZED ANY LAST-MINUTE PAYMENTS (EMBASSY WILL FOLLOW-UP).

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PAGE 02 SANTO 04555 182231Z

4. PL-480: STRONG, HIGH-LEVEL INTEREST CONTINUES IN OBTAINING A SIGNIFICANT PL-480 PROGRAM FOR FY 1979. THIS IS VIEWED AS ONE OF THE FEW USG PROGRAMS WITH THE POTENTIAL FOR IMMEDIATE IMPACT, AND IS ALSO USED AS A TRADITIONAL YARDSTICK OF USG CONCERN FOR DR.

5. NON-TRADITIONAL EXPORTS: CURRENT LOW PRICES FOR ALMOST ALL

TRADITIONAL DR EXPORTS HAVE SERVED TO UNDERLINE THE NEED FOR EXPORT DIVERSIFICATION. THE DR IS CONCERNED, HOWEVER, THAT SUCH EFFORTS WILL BE THWARTED BY U.S. PROTECTIONISM. (E.G., TEXTILES).

6. TEXTILES: MANUEL GOMEZ-PIETERZ, THE NEW DIRECTOR OF CEDOPEX (CENTER FOR DOMINICAN EXPORT PROMOTION) IS AWARE OF THE USG DESIRE TO BEGIN NEGOTIATING A TEXTILE BILATERAL, ALTHOUGH HE IS NOT YET FAMILIAR WITH THE DETAILS OF SUCH A NEGOTIATION. EMBASSY WILL REVIEW ISSUE WITH HIM EARLY NEXT WEEK.

7. MTN:: EMBOFF EMPHASIZED IMPORTANCE OF MTN TO DR IN LIGHT OF GODR'S STATED INTEREST IN NON-TRADITIONAL EXPORTS. GODR AMBASSADOR TO GENEVA LELAND ROSENBERG IS CURRENTLY IN SANTO DOMINGO. EMBASSY PLANS TO MEET WITH HIM, GOMEZ-PIETERZ AND CEDOPEX SUB-DIRECTOR ROBERTO SALADIN TO GET GODR BACK ON THE LIST OF ACTIVE MTN PARTICIPANTS. (NOTE: IT IS STILL UNCLEAR AS TO WHETHER ROSENBERG WILL CONTINUE IN HIS GENEVA POST UNDER GUZMAN).

8. AGRICULTURE: ONE OF THE TOP PRIORITIES IN THE GUZMAN ADMINISTRATION WILL BE TO INCREASE AGRICULTURAL OUTPUT. THEY VIEW THIS AS A SECTOR WHERE ALL THE NEEDED INGREDIENTS ARE PRESENT-LAND, CLIMATE, LABOR, TECHNICAL EXPERTISE-BUT WHICH THE FORMER GOVERNMENT WAS UNABLE TO IMPROVE DESPITE LARGE EXPENDITURES.

9. CDE/CORDE/INESPRE: THE PROBLEMS OF THESE AUTONOMOUS GODR ENTITIES-DEBT, MANAGEMENT, EFFICIENCY-ARE TO RECEIVE PRIORITY
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PAGE 03 SANTO 04555 182231Z

ATTENTION AS THEY ARE NOT ONLY PERFORMING POORLY, BUT ARE DAMAGING THE COUNTRY'S CREDIT STANDING.

10. DEVALUATION/PARALLEL MARKET/ THE GODR IS ADAMANTLY OPPOSED TO A DEVALUATION, ON BOTH ECONOMIC AND POLITICAL GROUNDS. HOWEVER, A GROUP OF RESPECTED DOMINICAN ECONOMISTS IS DOING A STUDY OF THE BENEFITS TO BE GAINED FROM FORMALIZING, REGULATING AND INCREASING THE USE OF THE PARALLEL MARKET, INCLUDING THE POSSIBILITIES OF CHANNELING AT LEAST SOME EXPORTS THROUGH THE PARALLEL MARKET, AND PERMITTING COMMERCIAL BANKS TO PARTICIPATE.

11. UNEMPLOYMENT: THE NEW GOVERNMENT CONSIDERS THE CURRENT UNEMPLOYMENT RATE OF 20 PERCENT COMPLETELY UNACCEPTABLE, AND HOPES TO PROVIDE RELIEF THROUGH ITS EMPHASIS ON AGRIBUSINESS, EXPORT PRODUCTION, AND USE OF LABOR-INTENSIVE TECHNOLOGY.

12. TIMING OF SUBSTANTIVE CHANGE: IT IS GENERALLY AGREED THAT MAJOR NEW ECONOMIC INITIATIVE WILL NOT BE POSSIBLE UNITL MID-1979, FOR BOTH POLITICAL AND BUDGETARY REASONS.

13. COMMENT: GUZMAN HAS SELECTED AN IMPRESSIVE ECONOMIC TEAM. HE IS EMPHASIZING PROFESSIONALISM AND EFFICIENCY IN PUBLIC ADMI-

ISTRATION, AND HAS STATED THAT HE WILL NOT CONDONE CORRUPTION.
THE NEW TEAM IS SHORT ON GOVERNMENT EXPERIEENCE (WITH THE EX-
CEPTION OF PERICHE), BUT HAS IMPRESSED THE EMBASSY AND LOCAL
BUSINESS COMMUNITY AS KNOWLEDGEABLE, INTELLIGENT INDIVIDUALS WHO
HAVE EARNED RESPECT IN THEIR PREVIOUS ENDEAVORS.

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